

## Message Text

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ACTION EA-10

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LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-02 FRB-01

OMB-01 /049 W

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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 9968

INFO AMEMBASSY CANBERRA

UNCLAS WELLINGTON 2145

E.O. 11652: N/A

TAGS: EAGR, ETRD, EFIN, EGEN, NZ

SUBJECT: NZ FEDERATED FARMERS DEBATE INCOME STABILIZATION AND  
SUFFICIENCY SCHEMES AND AGMIN CONTINUES INCOME STABILIZATION  
EFFORTS

PASS US DEPT. AGRICULTURE

REF: A. WELLINGTON 684

B. WELLINGTON A-39 APRIL 8, 1975

1. SUMMARY WITH NZ FARMERS CAUGHT BETWEEN REDUCED INCOMES AND INCREASING COSTS, THE ANNUAL CONFERENCE OF NZ FEDERATED FARMERS JULY 15-17 DEBATED STABILIZATION OF FARM INCOMES. THE CONFERENCE DECLARED THAT ANNUAL FARM PRICE FLUCTUATIONS SHOULD BE "SMOOTHED OUT" BY USE OF A BUFFER ACCOUNT. IT REFERRED TO FEDERATION'S 37,000 MEMBERS FOR A VOTE AN "INCOME SUFFICIENCY" SCHEME INVOLVING GOVERNMENT "GRANTS" TO COMPENSATE FARMERS FOR INFLATION AND OTHER COST INCREASES. QUESTION WILL BE DECIDED AT FEDERATION'S OCTOBER MEETING. ON JULY 24, MINISTER AGRICULTURE AND FISHERIES MOYLE MET WITH WOOL BOARD TO WORK OUT A PLAN FOR STABILIZATION WOOL INCOME PRIOR NEW WOOL SEASON. TALKS ON "INCOME SMOOTHING" WILL PROBABLY ALSO BE INITIATED SOON WITH OTHER PRODUCER BOARDS. END SUMMARY

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2. THE CONFERENCE WAS LAUNCHED JULY 15 WITH A STRONG

SPEECH BY THE FEDERATED FARMERS' DOMINION PRESIDENT, MR. JOHN T. KNEEBONE. MR. KNEEBONE ATTACKED THE RECENT LARGE INCREASE IN GOVERNMENT OVERSEAS BORROWING IN THE FACE OF DECREASED OVERSEAS EARNINGS. HE ALSO ACCUSED THE LABOUR GOVERNMENT AND ITS MEMBERS OF PROMOTING A "CONTINUOUS STREAM OF LEGISLATION THAT CAN ONLY BE DESCRIBED AS DISCRIMINATORY AND HOSTILE TO AGRICULTURE." THOUGH ACKNOWLEDGING THAT THE MINISTER OF AGRICULTURE, MR. MOYLE, HAD INTERCEDED ON MANY OCCASIONS ON THE FEDERATION'S BEHALF, HE BRANDED THE GOVERNMENT'S ACTIONS AS HAVING "ERODED FARMER CONFIDENCE". HE ACCUSED THE GOVERNMENT OF PROMOTING A "FUNNY MONEY" POLICY FOR ITS "COMMODITY PRICE SMOOTHING" SCHEME TO BE FINANCED BY PRODUCER BOARDS BORROWING FROM THE RESERVE BANK AT ONE PER CENT INTEREST. (SOMETHING THE DAIRY BOARD HAS ALREADY BEEN DOING FOR SOME TIME).

3. MINISTER OF AGRICULTURE AND FISHERIES, MR. MOYLE, WHO HAS BEEN PUSHING FOR A FARM INCOMES STABILIZATION SCHEME, WAS OBVIOUSLY ANGERED BY MR. KNEEBONE'S ATTACKS. HE RESPONDED IN EQUALLY DIRECT LANGUAGE, REJECTING THE CHARGES OF THE FEDERATION PRESIDENT AND DEFENDING THE LABOUR GOVERNMENT'S VARIOUS ACTIONS WHICH HE SAID HAD HELPED THE FARMERS.

4. ACCORDING TO THE PROPOSAL PUT BEFORE THE FEDERATION BY ITS FARM INCOMES POLICY COMMITTEE, THE PRODUCER BOARDS WOULD SET CEILING AND FLOOR SELLING PRICES ACCORDING TO MARKET CONDITIONS EACH YEAR. EARNINGS ABOVE THE CEILING PRICE WOULD BE PLACED IN A BUFFER ACCOUNT AND WHEN THE ACTUAL PRICE FELL BELOW THE FLOOR PRICE, THE FARMERS INCOME WOULD BE SUPPLEMENTED FROM THE BUFFER ACCOUNT. ALSO, THERE WAS A RECOMMENDATION WHEREBY, IN CONSULTATION WITH THE GOVERNMENT, A SEPARATE "ECONOMIC PRICE" WOULD BE SET AS A PART OF AN "INCOME SUFFICIENCY" SCHEME WHICH WOULD ASSURE INVESTMENT AND GROWTH IN AGRICULTURE.

5. THESE PROPOSALS WERE DEBATED AT LENGTH, WITH DIFFERENT INTEREST GROUPS REPRESENTED AT THE CONFERENCE VARIOUSLY EXPRESSING THE NEED FOR EARLY ACTION TO HELP FARMERS WHO ARE NOW IN GREAT DISTRESS AND OTHERS QUESTIONING DIFFERENT ASPECTS

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OF THE PLANS (INCLUDING THE NEED FOR A CLEAR UNDERSTANDING OF THE ROLE THE GOVERNMENT WOULD PLAY IN THE INCOME STABILIZATION SCHEME) AND CAUTIONING AGAINST HASTY, INADEQUATELY DEVELOPED PLANS.

6. THOUGH SEVERAL DELEGATES WANTED A DECISION AT THE CONFERENCE ON FARM INCOMES STABILIZATION, THE LACK OF CONSENSUS RESULTED IN A DECISION TO DELAY IN THE FINAL ACTION UNTIL THE

OCTOBER DOMINION COUNCIL MEETING, AFTER EVERY MEMBER OF THE FEDERATION THROUGHOUT NEW ZEALAND HAD BEEN ADVISED OF THE DETAILS OF THE PROPOSAL AND HAD INDICATED WHETHER OR NOT HE SUPPORTED IT.

7. THE CONFERENCE ALSO ADOPTED A MOTION DECLARING BELIEF IN THE PRINCIPLE THAT COMMODITY PRICE SMOOTHING MEASURE SHOULD BE BASED ON CREDIT-DEBIT BUFFER ACCOUNTS USING RESERVE BANK CREDIT AND INCOME SUFFICIENCY SUPPORT BASED ON A REDISTRIBUTION OF RESOURCES WITHIN THE ECONOMY.

8. BY ANOTHER RESOLUTION A TOP LEVEL DEPUTATION IS TO INFORM THE PRIME MINISTER AND THE MINISTER OF AGRICULTURE AND FISHERIES OF THE URGENT NEED FOR AID FOR "SUFFICIENCY OF INCOME" IN THE 1975-76 SEASON, POINTING OUT THAT THE PRESENT COST STRUCTURE WAS "CRIPPLING PRODUCTIVE ABILITY AND JEOPARDIZING FARMING AND THE NATIONAL ECONOMY".

9. MR. MOYLE, WHO HAS BEEN WORKING VERY HARD SINCE HE BECAME MINISTER OF AGRICULTURE AND FISHERIES TO GET A FARM COMMODITIES INCOME STABILIZATION SCHEME, ON JULY 24 (LESS THAN A WEEK AFTER THE FEDERATED FARMERS HAD FINISHED DEBATING THE QUESTION OF WHAT ACTION THE FARMERS SHOULD TAKE), ANNOUNCED THAT THE GOVERNMENT WOULD PROBABLY GO AHEAD WITH THE PRODUCER BOARDS AND WORK OUT INCOME SMOOTHING SCHEME TO APPLY THIS SEASON WITHOUT FINAL AGREEMENT ON FEDERATED FARMERS' WHOLE INCOME PACKAGE. HE SPENT THE WHOLE DAY OF JULY 24 DISCUSSING WITH THE WOOL BOARD PROPOSALS TO STABILIZE WOOL INCOME. THE BOARD CHAIRMAN EXPRESSED HOPE AT THE END OF THE DAY THAT A SCHEME WOULD BE READY BY AUGUST 8. THE NEW WOOL SELLING SEASON STARTS AUGUST 14.

10. MR. KNEEBONE ACKNOWLEDGED THAT IT WAS THE PRODUCER BOARDS' UNCLASSIFIED

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